Shoppers are spending but it may not last

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*New York (CNN Business)*Retailers are preparing for the final sprint ofholiday shopping as warning signs flash about 2019.

Data from Adobe Analytics and the National Retail Federation signal a strong holiday shopping stretch so far. But investors are nervous about risks, including the US-China trade war and broader uncertainty about trade policy in Washington, as well as a slowdown in key markets overseas.

Shares of retailers like Target (TGT), Costco (COST), Kohl's (KSS), Nordstrom (JWN) and Tiffany (TIF) have fallen sharply in recent weeks as costs rise and Wall Street questions their ability to navigate the late innings of the economic growth cycle.

"Retail stock weakness and volatility have unfortunately been relentless," Cowen analyst Oliver Chen said in a research report Friday. The S&P 500's retail index (XRT) has slid more than 20% over the last three months.

Healthy consumers and new ways to shop

For now, Americans are buying everything from TVs to toys to clothes. Consumer confidence is high and wages are ticking up.

Retail sales in November increased 4.2% from a year ago, according to the latest data from the Commerce Department.

Americans are buying everything from TVs to toys to clothes during the holidays.

Growth online has continued at a rapid pace. Americans have spent a record $110 billion

online since November 1, nearly an 18% increase over the same period a year ago, Adobe Analytics said on Thursday.
Nintendo Switch, LG and Samsung TVs, iPads, Fire TV and Roku devices, headphones, and L.O.L. Surprise dolls have been some of the top sellers, according to Adobe.
On the final Saturday before Christmas, Americans are projected to spend $26 billion—more than they spent on both Black Friday and the same Saturday last year, retail consultancy Customer Growth Partners estimated.
"Consumer spending remains solid and clearly provides evidence that the economy is healthy as we head into 2019," National Retail Federation chief economist Jack Kleinhenz said last week. The NRF projects holiday spending to rise by up to 4.8% compared to a year ago.
A timely drop in gas prices will buoy spending on Saturday. Gas prices have dropped 54 cents a gallon since their October peak. The national average for gas prices is $2.33 a gallon, according to data from AAA. In two states, Missouri and South Carolina, the price of a gallon has fallen below $2.00.
"If you're saving a few bucks at the pump each time, that can make a real difference," said Craig Johnson, president of Customer Growth Partners.
Dollar General (DG) and Dollar Tree (DLTR) are poised to benefit from theextracash in customers' wallets. More than 4 in 10 consumers say they plan to shop at a dollar store during the holidays, according to a new report from market research firm NPD Group.
Dollar General tries to make healthy food more accessible
Retailers are also chasing customers in new ways.
Walmart (WMT) and Target are investing in tools to speed up lines in stores and rolling out online pickup at thousands of stores. Amazon is offering free shipping on all holiday orders for the first time, a sign that brick-and-mortar stores are starting to apply more pressure.
"Retail is a business where the bar is being raised and there's increasing differentiation between the winners and the losers," Best Buy (BBY) CEO Hubert Joly told CNN Business in an interview this week. Best Buy, like other rivals, has picked up business from Sears' collapse and Toys 'R' Us' bankruptcy.
Retailers that can offer the easiest shopping experiences in stores will be the winners this year, said Taylor Schreiner, director of Adobe Digital Insights. Some, like Old Navy, are going an extra mile to provide convenience. Old Navy is partnering with Lyft to offer customers free rides to stores for online pickups on Saturday.
Changes to the tax code from Congress' 2017 tax cuts could provide a jolt to spending early next year.
UBS analysts estimate that tax refund checks will be up to 25% higher than a year ago. That would add up to 6% to retail sales from February to April, lifting Dollar General, Walmart, Ross Stores (ROST), and Foot Locker (FL).

Darkening forecast

Despite the favorable terrain today, the backdrop has shifted for retailers.
Federal Reserve chair Jay Powell said on Wednesday that the Fed had "seen developments that may signal some softening" in global growth.
Cracks have emerged in China, where the trade war with the United States has damaged the country's economy. The dollar has strengthened against the yuan in recent months, making US products more expensive for Chinese consumers.

Think Wall Street's had a bad year? China's was even worse

This week, UK online fashion retailer Asos' stock plunged 40% after it warned that sluggish sales would dent its profit. Asos had been considered one of the few bright spots in the UK, where many retailers have found trouble dealing with Brexit uncertainty.

Consumer confidence in the UK has sunk to a five-year low.

FedEx (FDX) spooked the market on Wednesday when it said its international business, especially in Europe, has weakened significantly over the last three months.

Warnings about international challenges are not the only factor dragging down retail stocks.

Wall Street is skeptical that companies like Costco and Target can sustain their strong traffic and sales performances into next year.

"Investors are questioning if this is 'as good as it gets,'" Chen from Cowen said.

Retailers' sales may be up, but profit margins are down from huge investments in stores, digital infrastructure, employee wages, and transportation costs. Target is offering free shipping on all orders during the holidays, which could weigh on profit.

Costco's stock has fallen 13% over the last five days after it said stiffer competition in the grocery industry squeezed margins. Target has dropped nearly 30% over the past three months to give back its gains on the year, while TJX is down 22%.

Tariffs are another concern.

In September, the Trump administration announced 10% tariffs on $200 billion worth of imports. Those tariffs were slated to rise to 25% on January 1, but the United States and China have agreed to a temporary truce. Still, investors are worried about higher tariffs on clothing, sneakers, home furnishings, and consumer electronics.

Tarrifs have disrupted retailers' supply chains, and companies have raced to bring in products from China before tariffs bite.

If the trade war with China escalates, retailers may be forced to hike prices. Some, like Walmart and Amazon, will be in better position to negotiate since they can pressure suppliers for lower prices.

Rising interest rates could also put the brakes on consumers, who will have to pay more for their mortgages and car loans.

Michelle Grant, head of retailing at Euromonitor International, said tariffs and higher interest rates pose a greater threat to consumers than a wobbly stock market.

"While the stock market is in turmoil, it hasn't led to changes in the real economy yet," she said. "Stock ownership is not widely spread in the US."

CNN Business' Ivana Kottasová and Chris Isidore contributed to this story.